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Borrowing to Make Ends Meet

The Rapid Growth of Credit Card Debt in America

José A. García

BORROWING TO MAKE ENDS MEET SERIES

About Dēmos

Dēmos: A Network for Ideas & Action is a non-partisan public policy research and advocacy organization committed to building an America that achieves its highest democratic ideals. We believe this requires a democracy that is robust and inclusive, with high levels of electoral participation and civic engagement; an economy where prosperity and opportunity are broadly shared and disparity is reduced; and a strong and effective public sector with the capacity to plan for the future and provide for the common good. Founded in 2000, Dēmos' work combines research with advocacy—melding the commitment to ideas of a think tank with the organizing strategies of an advocacy group.

The **Economic Opportunity Program** addresses the economic insecurity and inequality that characterize American society today. We offer fresh analysis and bold policy ideas to provide new opportunities for low-income individuals, young adults and financially-strapped families to achieve economic security.

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Borrowing to Make Ends Meet - Series Information

Borrowing to Make Ends Meet: The Rapid Growth of Credit Card Debt in America is the fourth report in a new Dēmos publication series that examines trends in household indebtedness and its impact on economic security. The first report in the series, *A House of Cards*, chronicled the housing boom and the subsequent refinancing wave. The second report, *Borrowing to Stay Healthy*, examined how medical expenses impact household credit card debt. The third report, *Who Pays: The Winners and Losers of Credit Card Deregulation*, uncovered how over the last 20 years credit issuers have shifted the burden of higher fees and penalties to those who can least afford them—reaping billions in profits along the way. Other reports in the series will offer new research and analysis on debt among low- and middle-income households, examine the driving factors behind the rise in debt, and advance innovative policy solutions for improving the economic stability of America's households.

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Executive Summary

The economic security of American households has eroded in the last decade. Many low- to middle-income households have experienced a growing gap between their incomes and their day-to-day costs of living, resulting in decreased savings, rising levels of debt, and widespread economic instability. Since the year 2000, many households have tried to cope with this financial imbalance by relying on credit cards to cover basic expenses that earnings do not meet. Homeowners, ominously, have then relied on cashed-out home equity—$1.2 trillion over the last six years—largely to pay down those debts and to cover other costs of living.

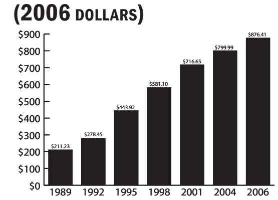
While credit cards have provided many households with an economic safety valve to deal with income shortfalls and emergency expenses, this debt may often aggravate financial distress rather than relieve it as mainstream credit card practices have become increasingly punitive and costly.

This report provides a comprehensive analysis of credit card debt using the most recent data from the Federal Reserve Board's Survey of Consumer Finances. In addition to assessing the current status of credit card debt among households, we provide data on trends for this debt from 1989 to 2004.

Key findings (**all figures in 2004 dollars unless otherwise noted**):

- Between 1989 and 2006, Americans' overall credit card debt grew by 315 percent from $211 billion to $876 billion (2006 dollars).
- From 2001 to 2006, homeowners cashed out $1.2 trillion in home equity, often in an effort to cope with mounting credit card debt and to cover basic living expenses (2006 dollars).
- Nearly six out of 10 households with credit cards revolved their balances in 2004. The average amount of credit card debt among those households reached an all-time high of $5,219, an increase of 89 percent from $2,768 in 1989.
- From 1989 to 2004, the percentage of cardholders incurring fees due to late payments of 60 days or more increased from 4.8 percent to 8.0 percent.
- In 2004, the average credit card-indebted family allocated 21 percent of its income to servicing monthly debt compared to the 13 percent dedicated to debt payments among all households.
- In 2004, 46 percent of very low-income (under $9,999 per year) credit card-indebted households spent more than 40 percent of their income to pay off debt.
- From 1989 to 2004, credit card debt among very low-income households quadrupled from an average of $622 in 1989 to $2,750 in 2004.
- While white households carry more credit card debt, African Americans and Latinos have a higher percentage of credit card-indebted households. In 2004, of those with credit cards, 84 percent of African-American households and 79 percent of Latino households carried credit card debt compared with 54 percent of white households.
- Over 90 percent of African-American families earning between $10,000 and $24,999 had credit card debt.
- Since 1989, Americans in the age group of 65 and over have experienced the greatest increase in the amount of credit card debt carried. The average balance for this age group increased 194 percent from $1,669 in 1989 to $4,906 in 2004.

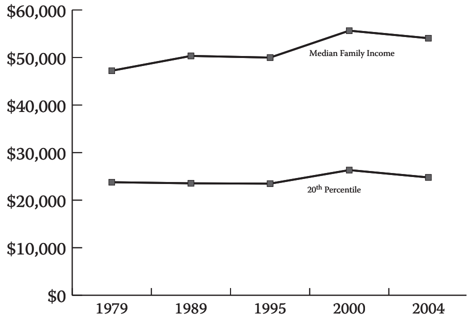
Americans' Overall Credit Card Debt in Billions, 1989—2006 (2006 dollars)



Source: Federal Reserve Statistical Release - G19 Consumer Credit

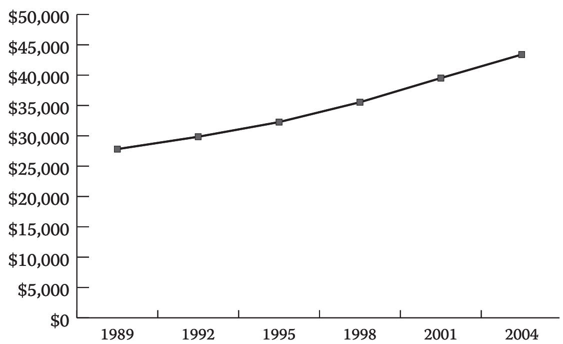
INTRODUCTION: THE ECONOMIC CONTEXT OF RISING DEBT

Chart 1: Median Family Income, 1979–2004 (2004 dollars)



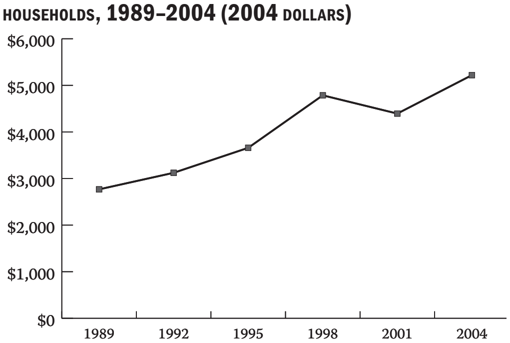
Source: *The State of Working America* 2006/2007

Chart 2: Average Annual Expenditure, 1989–2004 (2004 dollars)



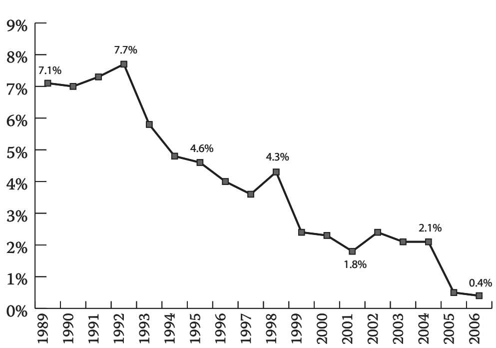
Source: U.S. Bureau of Labor Statistics, "Consumer Expenditures in 2004," http://stats.bls.gov/cex/home.htm

Chart 3: Average credit card debt for credit card-indebted households, 1989–2004 (2004 dollars)



Source: Dēmos' calculations of the Survey of Consumer Finances: 1989, 1992, 1995, 1998, 2001 & 2004

Chart 4: Personal Savings as a percentage of disposable personal income, 1989–2006



Source: U.S. Department of Commerce, Bureau of Economic Analysis, Table 2.1

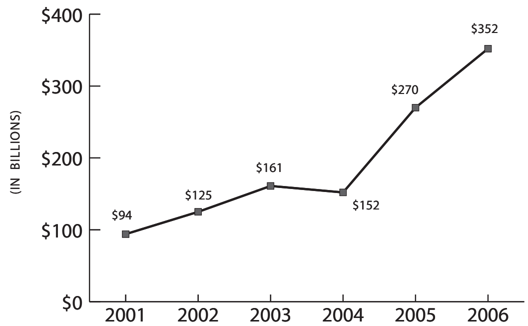
There is little doubt that America's low- to middle-income families are experiencing greater financial strain. Key measurements underscore this point. Despite decades of increased productivity and increased overall value of the U.S. economy, the typical American family has experienced a steady decline in inflation-adjusted earnings since 2001. Between 2000 and 2004, all income percentiles experienced a general decrease in real income. However, the group hit hardest by the decline was families in the lowest 20th percentile which experienced a decrease of 1.5 percent (Chart 1). In the past 20 years, the cost of living has increased by nearly 90 percent due largely to the rising costs of housing, health care and transportation. These necessities have increased in cost by 81 percent, 74 percent, and 47 percent, respectively.[1] The average cost of higher education, one of the key indicators of future financial mobility, also increased 165 percent (in 2005 dollars) between 1970 and 2005.[2] Additionally, many families are spending a greater percentage of their income on child care, which was a largely nonexistent expense a generation ago.

As America's households have shifted more resources to cover rising costs, their savings and assets have decreased sharply. Just meeting basic monthly expenses is now a struggle for millions of Americans, much less saving for the future.

To bridge the growing chasm between incomes and basic living expenses, many households have drained their personal savings, liquidated their home equity, and taken on rising levels of debt. In 2006, personal savings averaged 0.04 percent of disposable income—its lowest level since 1934.[3] Between 2001 and 2006, homeowners cashed out $1.2 trillion in home equity (2006 dollars). Credit card debt also grew from $692 billion to $876 billion between 2000 and 2006, which was also nearly three times the $238 billion of debt in 1989 (2006 dollars).[4]

Findings from a household survey commissioned by Dēmos in 2005 of low- to middle-income households with credit card debt indicate that credit cards have

CHART 5: AVERAGE HOME EQUITY CASHED OUT THROUGH REFINANCING, 2001–2006 (2006 DOLLARS)



Source: Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing*, 2007.

become the safety net for households experiencing job loss, medical bills and other unexpected expenses or disruptions in their incomes. One out of three households reported using credit cards in the last year to pay for basic expenses including, rent or mortgage, groceries, utilities or insurance.

CREDIT CARD PRACTICES HEIGHTEN THE FINANCIAL STRAIN

American consumer debt has grown in step with widespread deregulation of the credit card industry in the last quarter of the 20th century. During the last 30 years, Supreme Court rulings and Congressional legislation all but eliminated interest rate and fee limits for credit card holders. Two Supreme Court rulings, the first in 1978 and the second in 1996, effectively hobbled state usury laws that once protected consumers from being charged excessively high interest rates and fees. The two rulings allowed national banks to charge the highest interest rate and fees permitted in the bank's home state as opposed to the rate in the customer's home state.

Deregulation, coupled with technological advancements in underwriting, has greatly expanded access to credit cards. Indeed, today 75 percent of all American households have at least one card, and every year more low-income households count themselves as cardholders. In 2004, 35 percent of households with incomes below $10,000 had credit cards, while more than half of households with incomes between $10,000 and $24,999 had credit cards. While much has been made of this "democratization" of credit, deregulation has also increased the "costs of credit" for many households. According to other research by Dēmos, more than one-third of cardholders pay more than 20 percent APR on their credit card balances.[5] Those paying the most are the least able to afford it: low-income households.

COPING WITH DEBT BY PLUNDERING ASSETS

As levels of credit card debt have risen, families have also turned to the equity in their homes to provide relief from debt. From 2001 to 2006, homeowners have dipped into, and often depleted, all of the equity in their homes by cash-out refinancing, which has totaled more than $1.2 trillion in just a few years (2006 dollars). Half of these households reported using the equity to pay off higher-cost debts such as credit cards.[6] During the refinancing process, many homeowners were explicitly duped into taking out adjustable rate mortgages they could not afford by mortgage brokers who stood to gain financially by selling loans at greater volume and higher interest rates.[7] As the subprime mortgage industry—a key player in the mortgage refinance boom—began collapsing in 2007, it became clear that many borrowers signed on the bottom line without understanding the fine print, which often included increased monthly payments, balloon payments and pre-payment penalties.

As homeowners began missing their payments, due partly to interest rate changes and balloon payments, the number of foreclosures spiked and decreased the value of the housing market. Home foreclosure filings rose to 1.2 million in 2006, an increase of 42 percent from 2005.[8] The boom in subprime mortgage packages, which make up a large number of recent foreclosures, inflated the number of borrowers willing and supposedly able to buy or refinance their homes. Many homeowners took out adjustable rate mortgages during a time of rising home values with the intention of refinancing once the higher interest rates kicked in. Unfortunately, the housing market hasn't borne out this expectation, leaving many homeowners with higher mortgage payments and unable to refinance.

Methodology

This report examines trends in credit card debt in the United States between 1989 and 2004 by household income, race/ethnicity, employment status and age. The data analyzed in this report was drawn from the Survey of Consumer Finances (SCF), a triennial survey of the assets and liabilities of American families sponsored by the Board of Governors of the Federal Reserve System with the cooperation of the U.S. Department of the Treasury. The six most recent surveys, covering the period of 1989 through 2004, are examined in this report. **All amounts are in 2004 dollars unless otherwise noted**. The recommended SCF weights were used to ensure that the data reflects the general population.

This report examines trends in credit card debt among families with credit card debt, which was 34 percent of the survey population in 2004. By excluding those families that do not have revolving (outstanding) balances on their credit cards, we get a more accurate picture of the problem of credit card debt. The SCF's definition of "family" is close to the Census Bureau's definition of "household," which includes married couples and single individuals. Households and families are used interchangeably throughout the report.

Overall Trends in Credit Card Debt

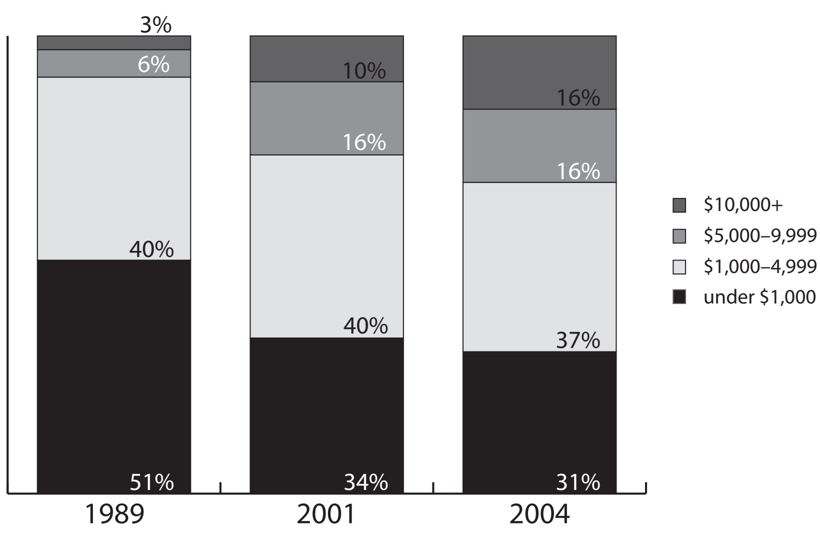
In 2004, more than 1 billion credit cards were issued in the U.S.[9] In 2005, credit card companies sent more than 6 billion pre-screened information solicitations, equating to approximately 20 solicitations for every man, woman and child in the United States.

For the past 20 years, more than three out of every four American households—from the unemployed to those with incomes exceeding $100,000—had at least one credit card. During that period, the percentage of credit card holding households increased from 70 percent in 1989 to a peak in 1995, when nearly 82 percent of households had a credit card. As of 2004, three out of every four American families had a credit card.

As access to credit cards has increased, so has American household debt. Nearly six out of every 10 U.S. households with credit cards accrued some amount of credit card debt in 2004. The average credit card debt among households carrying at least one cent of credit card debt reached $5,219, an all time high in the United States. Households with spotty health care coverage and households with non-working heads were more likely to be in debt and at higher amounts. Seventy-five percent of households *lacking* medical coverage for all their members carried debt on a credit card compared to 55 percent of families that had medical coverage for all members of the household. In 2004, 70 percent of non-working heads of household with credit cards carried credit card debt. The average balance of these households was $6,328, a much higher sum when compared to similar households in 1989 when the average balance was $1,678.

Between 1989 and 2004, the average limit for households carrying credit card debt also steadily increased over 200 percent from an average of $6,992 to $21,000.

Chart 5: Distribution of Credit Card Debt Among Credit Card Indebted Households



Source: Dēmos' calculations of the Survey of Consumer Finances: 1989, 2001 & 2004

In addition to increases in the percentage of households with credit card debt, more households are now more likely to carry debts greater than $10,000. Since 1989, the percentage of indebted households with more than $10,000 in outstanding balances grew from 3 percent to 16 percent. Meanwhile, the percentage of households with relatively small credit card debt—under $1,000—declined from 51 percent to 31 percent (see Chart 1).

DEBT BURDEN

In 2004, the average household dedicated 13 percent of its income to paying off all outstanding debts. However, *debt burden*, measured as the percent of income required to make debt payments, is higher for households with credit card debt. In 2004, families with credit card debt had an average debt payment-to-income ratio of 21 percent—an increase of more than 3 percentage points when compared with 2001 and 5 percentage points when compared to 1989.

From 1989 to 2004, the number of cardholders incurring fees due to late payments of 60 days or more increased by 67 percent, from less than 5 percent of cardholders to over 8 percent. According to Cardweb.com, households paid $7.9 billion in fees in 2005 alone.

Credit Card Debt Trends by Household Income

The likelihood of having a credit card is higher among households with incomes greater than $100,000, but the percentage of very-low income families (under $9,999) with credit cards has been growing significantly in recent years—from 23 percent in 1989 to 35 percent in 2004. Over that same time period, the growth in cardholding households was less than 3 percent among every other income group.

While higher-income households are more likely to have credit cards, lower income households with credit cards are more likely to carry balances. In 2004, among credit card holding households 65 percent of very low-income (under $9,999) and moderate-income ($25,000–$49,000) households carried credit card debt compared to just 46 percent of households with incomes above $100,000. In addition, the average amount of debt carried by low- and moderate-income households has grown significantly. From 1989 to 2004, very low-income families saw their credit card debt triple from an average of $622 to $2,750. While lower- and moderate-income households experienced these large percentage increases in indebtedness, there was also a rise in the number of credit card-indebted households earning more than $100,000. From 1989 to 2004, there was a 20 percent increase in the number of credit card-indebted households in this higher income bracket rising from 38 percent 46 percent.

Table 1. Average Credit Card Debt by Income among Families with Credit Card Debt (2004 Dollars)

	1989	1992	1995	1998	2001	2004	change 1989–2004	change 2001–2004
All Credit Card Indebted Families	$2,768	$3,123	$3,659	$4,786	$4,394	$5,219	89%	19%
Under $9,999	$622	$1,470	$2,911	$2,972	$1,797	$2,750	342%	53%
$10,000–$24,999	$1,528	$2,288	$2,663	$2,879	$2,438	$3,378	121%	39%
$25,000–$49,999	$2,468	$2,580	$3,180	$4,542	$3,733	$4,831	96%	29%
$50,000–$99,999	$2,854	$3,665	$3,883	$5,283	$5,066	$4,667	64%	-8%
$100,000 and more	$5,856	$5,874	$6,844	$7,278	$7,711	$7,691	31%	0%

Source: Dēmos' analysis of the Survey of Consumer Finances: 1989, 1992, 1995, 1998, 2001 & 2004

The rise in debt among low- and middle-income households came during a time when incomes among these households were declining, particularly during the period between 2000 and 2004. During that time, while the median family income decreased by .3 percent in real dollars, households in the lowest 20th income percentile experienced a drop of 1.5 percent.[10] In 2003, underemployment reached an all-time high among American workers. Most of these workers were either unemployed or involuntary part-time workers. During 2004, two-thirds of these workers had again found full-time employment, but at lower wages. More than one in three of these workers found jobs that paid 20 percent less than their previous job.[11]

Table 2. Percentage of Credit Card Debtors With Debt Hardship By Income Group, 2004

Under $9,999	46.4%
$10,000-24,999	27.7%
$25,000-49,999	24.0%
$50,000-99,999	12.4%
$100,000 or more	6.9%

Source: Survey of Consumer Finances: 2004

DEBT BURDEN

Debt stress or *debt hardship* has been defined as dedicating more than 40 percent of household income to meet debt payments. For the sake of comparison, a healthy *debt-to-income ratio* usually requires that less than 35 percent of household income go toward paying off debt.

Examination of debt-to-income ratios of credit card debtors among different income groups revealed that those with very low incomes, on average, allocated 31 percent of their incomes to servicing debt. Unsurprisingly, very low-income households were most likely to experience debt burdens greater than 40 percent of their income, with just under half experiencing this hardship. However, even among households with incomes between $25,000 and $49,999, nearly one out of four with credit card debt experienced debt hardship.

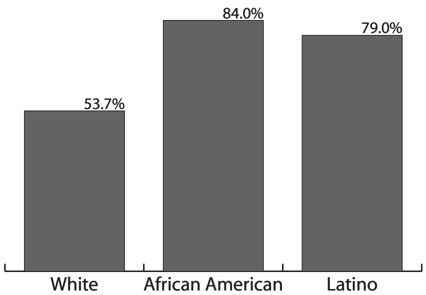
In 2004, more than 10 percent of credit card holders in very low- to moderate-income households incurred fees due to late payments of 60 days or more. Those in moderate income households experienced a large 145 percent jump in late payment penalties between 1989 and 2004, from 4 percent to over 11 percent of all cardholding households.

Credit Card Debt Trends by Race/Ethnicity

While white households are still more likely to have credit cards than either African-American or Latino households, from 1989 to 2004 the percentage of African-American and Latino families with credit cards increased by 21 percent and 12 percent, respectively.

Even though white households are more likely to have credit cards, a larger percentage of African-American and Latino families carry credit card debt, as seen in Chart 2. Taking into account both race and income, over 90 percent of African-American families earning between $10,000 and $24,999 had credit card debt, while nearly 85 percent of Latino families earning between $25,000 and $50,000 had credit card debt. The percentages are higher than the 50 percent of white families earning between $10,000 and $24,999 and 61 percent of those earning between $25,000 and $50,000 who carried debt.

Chart 6: Credit Card Debt of Credit Card Holders by Race/Ethnicity, 2004



Source: Survey of Consumer Finances: 2004

The reality that African-American and Latino households are more likely to be indebted than the average household should be considered in the context of continued disparities in earnings and employment among white households and households of color. On average, African Americans and Latinos earn 62 and 69 cents, respectively, for every dollar earned by their white counterparts.[12] These disparities disproportionately impact the livelihoods of many African Americans and Latinos. By 2005, the unemployment rate was 5.1 percent overall, but nearly double that among African Americans.

While white households carry higher card balances than Latino and African-American households, their outstanding balance represents a lower percentage of their total available credit. African-American and Latino households carry about $2,000 less debt, on average, but their balance amounts on average to more than 60 percent of their total available credit card limit compared to 47 percent for white credit card holders. This is especially pronounced among Latino households earning less than $9,999 where, on average, families carried balances double their credit card limit. One possible explanation for the overrepresentation of exceeded limits among very low-income Latino families within the subprime credit card market is that high fees and penalties, such as universal default, drive balances up.[13]

DEBT BURDEN

White and Latino families with credit card debt allocate around 20 percent of their monthly income to pay off their debts while African-American families with credit card debt allocate 21 percent. Even though the average Latino household has a similar debt-to-income ratio as white households, Latinos have a higher number of households that dedicate more than 40 percent of their income to paying off their debt. Among Latino households, 25.7 percent spend more than 40 percent of their income on debt—the highest of the three groups.

In 2004, 17 percent of African Americans were more than two months late with payments compared with 7.8 percent of whites and 6.6 percent of Latinos. Of these groups, between 1989 and 2004, whites experienced a 124 percent increase in the number of cardholders making late payments, from 3.5 percent to 7.8 percent.

Credit Card Debt Trends by Age

In 2004, the age group with the largest percentage of credit card debt, at 72 percent, were 35- to 44-year-olds. That same year, cardholders in the 45- to 54-year-old demographic carried the highest average credit card balances at $6,129. Not surprisingly, between 1989 and 2004, the average credit card limit of this age group increased from $5,657 to $21,798—a near 300 percent increase in less than 20 years (Appendix D).

Table 3: Average Credit Card Debt Among Cardholders with Credit Card Debt (2004 dollars)

	1989	1992	1995	1998	2001	2004	% of change 1989–2004
18–24 credit card balance	$2,075.92	$1,475.27	$2,587.03	$2,422.79	$3,038.06	$2,304.58	11%
% of change 2001–04						**-24%**	
25–34 credit card balance	$2,873.27	$2,756.32	$3,593.45	$3,941.22	$4,354,42	$4,357.86	52%
% of change 2001–04						**0%**	
35–44 credit card balance	$2,984.46	$3,716.58	$3,963.40	$5,542.20	$4,617.65	$5,250.67	76%
% of change 2001–04						**14%**	
45–54 credit card balance	$3,151.65	$3,990.43	$4,477.93	$4,912.86	$4,549.44	$6,129.00	94%
% of change 2001–04						**35%**	
55–64 credit card balance	$2,676.98	$2,900.17	$3,619.70	$5,716.79	$4,353.82	$5,916.56	121%
% of change 2001–04						**36%**	
65 & up	$1,669.28	$2,237.59	$1,969.70	$4,181.99	$4,304.20	$4,906.47	194%
% of change 2001–04						**14%**	

Source: Dēmos' calculations of Survey of Consumer Finances: 1989, 1992, 1995, 1998, 2001 & 2004

Between 1989 and 2004, those 65 and older experienced an increase of 21.8 percent in the percentage of households carrying credit debt. With 35 percent of older Americans carrying debt, it is clear that financial security once associated with retirement is not a given. This group also experienced the sharpest increase in their credit card debt, growing 194 percent from $1,669 in 1989 to $4,906 in 2004.

Why has the debt of older Americans grown so rapidly? As with the general population, older Americans saw increasing portions of their incomes go toward housing costs, such as property taxes, mortgage payments, maintenance, insurance and/or rent. This unfortunate trend is connected to the rising number of older Americans who are still paying off their homes after hitting retirement age, often paying higher interest rates on mortgages than seniors did a generation before. In 2001, one in four homeowners over the age of 65 had not fully paid off his or her home—close to 6 percentage points higher than in 1989.[14] These housing payment obligations are often continued into retirement when incomes drop and are more likely to be fixed. In 2004, the median income of individuals 65 and older was $15,199.[15] During the same year, close to 40 percent of the elderly were classified as low-income or living below the poverty line.[16]

Increased health care costs may also help explain the rising indebtedness of older adults. While many retirees have health care coverage through pensions, there has been a steady decline in this benefit. In 2003, only 38 percent of large employers offered coverage compared with 66 percent in 1988.[17] The average adult over 65 spent 22 percent of his or her income on health care in 2003. Low-income seniors with Medicaid benefits spent more than 33 percent of their income on out-of-pocket expenses, leaving less of their income to pay for other necessities.[18]

DEBT BURDEN

Due to their lower household incomes, younger and older Americans are more likely to experience debt hardship than are other households. Close to one out of three credit card indebted young adults between 18 and 24 years old spend 40 percent of their monthly income on debt payments. The average debt-to-income ratio for this age group is 22 percent. Among older households, the average amount spent on debt payments is 14 percent of income. However, the percentage of older households with credit card debt experiencing debt hardship has more than doubled, from 7 percent in 1989 to 16 percent in 2004.

The high percentage of young Americans experiencing debt hardship may be attributed in part to decreases in income compounded by increases in expenditures. Incomes among this age group are relatively low compared to older households, with a median family income of $26,451, a decline from previous income levels that began after the recession of 2001. This decline impacted both men and women with or without college educations, with college men experiencing the greatest drop in income for any age group.[19] Meanwhile, greater numbers of young adults are turning to credit cards as they struggle to keep up with debt obligations, such as student loans, which increasingly chip away at their dwindling incomes.

In 2004, the credit card-indebted age group with the largest number of late or delinquent payments were 25- to 34-year-olds, with 13 percent of this age group making payments that were more than 60 days late. Between 1989 and 2004, the age group to experience the largest increase in late payments was 35- to 44-year-olds—a 300 percent increase, overall, from 3 percent of all indebted cardholders to over 12 percent.

Policy Recommendations

Despite the common perception that families use credit cards to acquire luxury items and "live beyond their means," our research has demonstrated that a sizeable majority of low- and middle-income families depend on credit cards to pay for basic living expenses or to deal with unexpected financial emergencies.[20]

The exponential growth of credit card debt has taken place in an economic context that breeds uncertainty for households. "Income volatility," or fluctuation in family incomes, almost doubled in the last two decades of the 20th century.[21] At the same time, wages have been stagnant. Overall, wages barely moved (5 percent, adjusted for inflation) for American households with incomes in the bottom 20 percent, and the next lowest income quintiles only changed by 12 to 15 percent, respectively.[22] Meanwhile, the share of family income devoted to "fixed costs" like housing, child care, health insurance and taxes has climbed from 53 percent to 75 percent.[23]

For too many Americans, credit cards serve as a "plastic safety net" by providing a short-term solution for meeting immediate, pressing living expenses. However, rather than being a constructive financial tool, credit card debt can result in a downward financial spiral. Consequently, our nation cannot be complacent about the costs and risks associated with credit card debt. Credit cards are no substitute for adequate wages, affordable housing, and affordable health care and insurance. To help families build their own safety net without incurring burdensome credit card debt, we offer the following policy recommendations.

I. ADDRESS ECONOMIC FACTORS BEHIND RISING DEBT

Promote increased savings, not increased debt, to meet unexpected financial emergencies.

Over the last three decades, America's savings rate has steadily declined, and recently it fell below zero.[24] Individuals who can't save often are caught in situations where they must use their credit cards in place of funds traditionally set aside for "rainy days." Household survey research commissioned by Dēmos in 2005 found that low- to middle-income households were more likely to use their savings to deal with unexpected expenses, but used credit cards as a secondary source if savings were not available.[25] Additionally, over half (57 percent) of households that reported using credit cards for basic living expenses had less than $1,000 in non-retirement savings. Notably, households with larger savings were likely to use their savings to pay off their credit card debt, something households with lower savings often could not do.[26]

Household savings serve two important functions. First, they help families to weather temporary income losses or unexpected expenses. Second, they help families plan for the future. The United States currently does not have a comprehensive savings and asset-building policy, but rather a scattershot set of policies that taken together largely benefit households that need help the least. As a result, too many households find themselves teetering on the edge of financial security, often only one paycheck away from financial collapse. According to analyses by the Corporation for Enterprise Development, while the federal government spent $367 billion on asset-building policies in 2005, 45 percent of those subsidies went to households with incomes over $1 million.[27] The largest asset-building expenditure—the home mortgage deduction—is particularly skewed toward the best-off households in America. The bottom half of earners receive 2.9 percent of the tax benefits while the richest 10 percent receive 59 percent. Meanwhile, the "bottom" 60 percent receive a meager 3 percent of this investment budget.

In order to provide households with tools they need to achieve financial stability, America needs to embrace a set of principled investments that better target households for which a modest subsidy would make a significant difference in their ability to build emergency savings as well as save for future investments like college and the down payment on a home. We encourage policymakers to support the creation of new types of universal savings accounts with matched contributions targeted to low- and middle-income households through tax credits or other mechanisms.

Improve wages for working families.

In order to avoid excessive credit card debt, families must earn wages that will cover basic everyday expenses such as housing, food, and transportation. Unfortunately, in the past two decades, the U.S. cost of living has climbed 88 percent while incomes for the bottom 60 percent of households have risen only 5 to 15 percent.[28] Government policies should support efforts by families to meet the cost of living so they are not forced to take on debt to cover basic living expenses.

Address the problem of the uninsured and rising health care costs.

Rising medical expenses, lack of health insurance, or inadequate health coverage often contribute to the use of credit cards to pay for medical care. In a previous Dēmos report, *Borrowing to Stay Healthy*, we documented that households with major medical expenses and households without health insurance have higher levels of credit card debt. Fully one-third of indebted low- and middle-income households reported that medical expenses had contributed to their credit card debt over the last year.[29] Forty-seven million people lack health insurance in the United States and the majority of them are employed in full-time jobs.[30] While families struggle to cope with medical emergencies or chronic conditions, the increasing costs of health care create an additional burden on their financial livelihood.[31] Improved access to affordable health care would help families significantly improve their financial position.

Strengthen the unemployment insurance safety net.

Several studies have shown that unemployment problems are at the heart of nearly two-thirds of bankruptcy filings.[32] The unemployment insurance system was designed to help workers get through a temporary job loss by replacing their lost earnings. Today, however, many workers are ineligible for benefits (especially low-wage workers and "nonstandard" workers such as temporary or part-time employees) and the benefits replace only about

CREDIT CARD DEREGULATION AND INDUSTRY PRACTICES

Before 1978, 37 states had usury laws that capped interest rates and fees on credit cards for customers in their state, most at less than 18 percent APR.[33] Then two court cases effectively invalidated state usury laws, *Marquette vs. First Omaha Service Corp* in 1978 and *Smiley vs. Citibank* in 1996. *Marquette* allowed national banks to charge credit card customers the highest interest rate allowed in the bank's home state, as opposed to the customer's. As a result, major banks moved to states like South Dakota and Delaware, where there were no usury ceilings.[34] Since the credit card market is dominated by national issuers, what few state usury laws remain have become irrelevant as a result of these decisions. *Smiley* followed *Marquette*'s lead by allowing fees to be determined by the regulations of the bank's home state. Prior to the decision, late fees averaged $16; now, they average around $34.[35]

Facilitated by credit card deregulation and the industry's focus on creatively increasing revenue, credit card companies saw a profit of over $109 billion between 2004 and 2005. The greatest percentage of it derived from interest rates ($71 billion), followed by interchange fees ($20 billion) and then penalty fees ($8 billion).[36] Some of these contributory practices are:

1. Rate hikes and fees for late payments. All the major issuers now raise a cardholder's interest rate to a "default rate" when their payment arrives late, often to 30 percent or even 34 percent. Late payment penalties affect millions of cardholders of all credit risk levels, as there is no longer a late payment grace period. A payment is considered "late" if it arrives after 1:00 or 2:00 on the specified due date. Issuers have also begun systematically mailing statements closer to the due date, giving customers less turn-around time. The new default rates are applied retroactively, rather than to all new purchases. In addition to raising the interest rate on the card, issuers also charge the consumer a late fee, now typically between $29 and $39.[37] According to one survey, nearly 60 percent of consumers had been charged a late fee in the past year.[38] According to R.K. Hammer Investment Bankers, a California credit card consulting firm, banks collected $14.8 billion in penalty fees in 2004, or 10.9 percent of revenue, up from $10.7 billion, or 9 percent of revenue, in 2002, the first year the firm began to track penalty fees.

2. Universal Default Policies. Card issuers now routinely check their cardholders' credit reports and will raise the interest rate on the card if there has been a change in the consumer's score. Known in the industry as "universal default," these "bait and switch" policies are little more than preemptive penalties levied toward responsible debtors. For example, if a Bank One Visa cardholder is late on his or her Citibank MasterCard, Bank One will now raise the cardholder's interest rate, even if that cardholder has never missed a payment with them. Interest rate increases can also be triggered when a cardholder's profile has changed due to the addition of new loans, such as a mortgage, car loan or other type of credit.[39]

3. Retroactive Application of Interest Rate Changes. The practice of raising a cardholder's rate to a "default rate" for payments that arrive hours after a mail pick-up or for activity with another creditor is made worse by the fact that the new higher rate is applied to the cardholder's existing balances. By applying the rate change to previous purchases, card companies are essentially changing the terms retroactively on consumers and, in essence, raising the price of every item or service purchased previously with the card. Take, for example, a cardholder who buys a new computer under the pretense that she will pay back the price of the computer at the APR on her card at the time of purchase, which may be 9.99 percent. After one day-late payment on her account, the interest rate on her card is raised to 27.99 percent. As a result, this cardholder is now paying off the loan for her computer under drastically different terms than those under which she purchased the item. These severe default rates, levied even on customers who are paying their bills in good faith, if perhaps not in perfect time, constitute an enormous and undue increase in the cost and length of debt repayment for revolvers.

one-third of an average worker's earnings.[40] States should consider policies to cover more low-wage workers, those most vulnerable to temporary income losses and most likely to lack savings or wealth to draw on during unemployment. A stronger social safety net would help families withstand the financial pressures related to job loss.

II. RESTORE FAIR LENDING PRACTICES

Deregulation of the credit card industry has created an environment where credit card companies can construct the terms, rules, and practices of the credit card agreement without meaningful regulation. These new and complicated revenue-generating practices often harshly impact consumers who can least afford them. While more consumers have access to credit than ever before, this has come at a great cost for many households, with low-income households and households of color much more likely to pay interest rates higher than 20 percent.[41] Too often, the pricing strategies of credit card companies make it more likely that a family will endure persistent and burdensome debt, with little chance of paying or keeping down their debt.

While regulating credit was once the province of the states, deregulation and federal preemption have left states with little authority to regulate credit card practices. As a result, federal policymakers now bear the responsibility for reforming credit card practices. Since January 2007, the United States Congress has held several hearings to examine credit card industry practices, and key committee members have signaled that legislation addressing abusive industry practices will be forthcoming.

In response to growing pressures from Congress, some companies have responded by adjusting their business practices. In March 2007, Citibank voluntarily changed its "any time for any reason" practice, which credit card issuers use to increase the rates and fees of a cardholder's account at any time, for any reason. Citibank also ended "universal default," a well established industry practice of increasing interest rates for individual cardholders due to a default on financial commitments with other parties, like another credit card company. JP Morgan Chase announced it was ending the practice of double-cycle billing when it was called to testify at a Congressional hearing. While voluntary action by the industry is certainly welcomed, there still remains a powerful role for government to play to ensure fair lending practices. Over the last two decades, the bargaining power between lenders and borrowers has steadily shifted to favor lenders, leaving borrowers unprotected from capricious, ever-changing terms.

Dēmos has proposed a set of common-sense reforms entitled A Borrower's Security Act, which would restore responsible credit practices to the lending industry by extending fair terms to the borrower. Specifically, the reforms would include the following:

- Eliminate universal default terms by requiring that any penalty rate or fee increase be linked to a material default directly related to that specific account.
- Limit penalty rate increases to no more than 50 percent above the account's original rate. (For example, a 12 percent interest rate could only be increased to an 18 percent penalty rate.) This would still provide the issuer with significant additional protection against payment risk.

- Provide at least 30 days' advance notice that the card issuer is invoking the penalty pricing clause.

- Prohibit the retroactive application of pricing changes so that rate changes are applied only to purchases made after the issuer gives notice of the rate change.

- Ensure that grace periods and payment posting rules and practices are not designed to trigger late charges and penalty rates for minor tardy payments. Require disclosure of the full costs of making only the minimum payment on a credit card, including the number of years and total dollars it will take to pay off the debt. Raise the minimum payment requirement to 5 percent of the total balance for new cardholders to curtail excessive debt loads and interest payments.

Conclusion

For more than a decade, American households have faced the combined financial pressures of rising costs and stagnant or declining incomes. They've coped by taking on more debt by draining their home equity and taking on record levels of credit card debt. Addressing this problem will necessarily entail a multi-pronged approach that includes policies aimed at bolstering family incomes, reducing costs, and expanding savings and asset-building programs. Without a national commitment to reducing debt and restoring economic security, low- and middle-income families will continue to rely on a patchwork of high-cost credit to fill the growing gap between their incomes and basic needs.

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Appendix

Percent of Households with Credit Cards

A

		2004	2001	1998	1995	1992	1989	'89–'04	'01–'04
	All Households	74.9%	76.2%	72.5%	81.6%	71.9%	69.6%	7.7%	-1.6%
Race/Ethnicity	White	81.5%	82.0%	77.9%	85.8%	79.2%	76.8%	6.1%	-0.6%
	Black	52.1%	59.1%	50.3%	51.6%	45.0%	43.0%	21.1%	-11.9%
	Hispanic	54.1%	52.6%	53.7%	60.5%	43.2%	48.4%	11.8%	2.9%
Age	18–24	57.1%	56.3%	49.4%	53.7%	50.7%	42.9%	33.0%	1.4%
	25–34	65.6%	70.8%	67.1%	72.8%	70.9%	66.6%	-1.4%	-7.3%
	35–44	75.8%	79.1%	75.0%	80.7%	72.2%	74.2%	2.2%	-4.1%
	45–54	81.3%	83.4%	79.6%	87.5%	78.7%	79.0%	2.9%	-2.5%
	55–64	80.9%	79.8%	80.1%	89.2%	75.7%	69.2%	17.0%	1.4%
	65+	75.5%	73.7%	69.0%	83.9%	70.1%	68.9%	9.7%	2.5%
Income rank	< - 9,999	35.6%	33.3%	28.1%	35.7%	29.1%	23.3%	52.7%	7.0%
	10,000–24,999	53.0%	58.6%	53.4%	59.3%	58.9%	51.4%	3.1%	-9.5%
	25,000–49,999	74.8%	78.5%	75.5%	82.2%	76.9%	76.9%	-2.7%	-4.7%
	50,000–99,999	91.5%	89.4%	91.0%	95.1%	90.8%	90.7%	0.9%	2.3%
	100,000 - >	97.7%	97.7%	98.8%	98.6%	95.7%	97.5%	0.3%	0.0%
Work Status	worker	79.1%	81.4%	78.3%	81.0%	80.1%	76.5%	3.3%	-2.9%
	disabled	37.6%	41.4%	32.1%	39.5%	36.1%	44.7%	-15.9%	-9.1%
	retired	78.1%	75.8%	73.4%	77.3%	75.5%	72.1%	8.4%	3.1%
	student	82.1%	69.0%	72.1%	64.1%	49.5%	58.5%	40.3%	18.9%
	homemaker	47.0%	41.7%	36.2%	51.8%	37.5%	37.4%	25.8%	12.9%
	not working	51.8%	54.5%	48.4%	41.8%	43.9%	33.3%	55.4%	-5.1%

Percent of Cardholders with Credit Card Debt

B

		2004	2001	1998	1995	1992	1989	'89–'04	'01–'04
	All Households	58.0%	55.4%	57.8%	59.3%	56.6%	57.0%	1.8%	4.7%
Race/Ethnicity	White	53.7%	50.7%	54.5%	55.3%	53.2%	53.9%	-0.4%	6.0%
	Black	84.0%	83.5%	77.2%	85.2%	79.7%	77.5%	8.3%	0.6%
	Hispanic	79.0%	75.4%	81.0%	85.0%	81.0%	71.6%	10.4%	4.8%
Age	18–24	66.3%	72.4%	78.3%	76.7%	78.7%	70.1%	-5.5%	-8.4%
	25–34	68.5%	69.2%	75.5%	72.0%	70.5%	72.5%	-5.4%	-0.9%
	35–44	72.3%	65.2%	64.8%	69.8%	65.0%	68.0%	6.3%	11.0%
	45–54	63.5%	57.4%	63.2%	66.9%	59.0%	62.3%	1.9%	10.7%
	55–64	49.9%	50.3%	54.2%	52.5%	47.2%	47.6%	5.0%	-0.8%
	65+	35.4%	31.2%	28.3%	31.2%	34.9%	29.1%	21.8%	13.5%
Health care	all members insured	54.9%	52.8%	54.8%	56.7%	53.9%	73.7%	-25.5%	4.1%
	not all members insured	74.7%	71.0%	69.3%	70.3%	74.2%	54.4%	37.4%	5.1%
Income rank	< - 9,999	64.9%	66.8%	65.4%	52.0%	56.9%	46.7%	39.0%	-2.9%
	10,000–24,999	59.0%	59.2%	60.5%	58.5%	55.5%	49.5%	19.1%	-0.4%
	25,000–49,999	65.1%	63.1%	60.1%	63.2%	63.0%	62.3%	4.5%	3.2%
	50,000–99,999	58.3%	55.8%	61.1%	62.8%	59.1%	64.8%	-10.1%	4.3%
	100,000 - >	45.8%	38.2%	42.5%	45.8%	38.2%	41.9%	9.4%	19.8%
Job status	worker	64.3%	60.9%	65.0%	66.8%	63.2%	65.0%	-1.1%	5.6%
	disabled	65.5%	75.4%	66.7%	71.2%	57.3%	57.6%	13.7%	-13.2%
	retired	35.0%	31.9%	29.8%	32.6%	34.1%	26.5%	31.8%	9.7%
	student	68.1%	65.3%	74.7%	67.5%	58.0%	72.7%	-6.4%	4.3%
	homemaker	48.5%	50.2%	47.6%	51.8%	45.2%	50.1%	-3.1%	-3.3%
	not working	70.0%	61.4%	72.1%	74.6%	65.7%	83.1%	-15.8%	14.0%

Credit Card Debt Average of Credit Card Debtors (2004 constant dollars)

C

		2004	2001	1998	1995	1992	1989	'89–'04	'01–'04
	All Households with Credit Card Debt	$5,219	$4,394	$4,786	$3,659	$3,123	$2,768	88.5%	18.8%
Age	**18–24**	$2,305	$3,038	$2,423	$2,587	$1,475	$2,076	11.0%	-24%
	25–34	$4,358	$4,354	$3,941	$3,593	$2,756	$2,873	51.7%	0.1%
	35–44	$5,251	$4,618	$5,542	$3,963	$3,717	$2,984	75.9%	13.7%
	45–54	$6,129	$4,549	$4,913	$4,478	$3,990	$3,152	94.5%	34.7%
	55–64	$5,917	$4,354	$5,717	$3,620	$2,900	$2,677	121.0%	35.9%
	65+	$4,906	$4,304	$4,182	$1,970	$2,238	$1,669	193.9%	14.0%
Income rank	**< - 9,999**	$2,750	$1,797	$2,972	$2,911	$1,470	$622	342.5%	53.1%
	10,000–24,999	$3,378	$2,438	$2,879	$2,663	$2,288	$1,528	121.1%	38.5%
	25,000–49,999	$4,831	$3,733	$4,542	$3,180	$2,580	$2,468	95.8%	29.4%
	50,000–99,999	$4,667	$5,066	$5,283	$3,883	$3,665	$2,854	63.6%	-7.9%
	100,000 - >	$7,691	$7,711	$7,278	$6,844	$5,874	$5,856	31.3%	-0.3%
Health care	**all members insured**	$5,399	$4,502	$5,188	$3,773	$3,134	$2,725	98.1%	19.9%
	not all members insured	$4,499	$3,906	$3,533	$3,267	$3,070	$2,971	51.4%	15.2%
Race/Ethnicity	**White**	$5,631	$4,666	$5,236	$3,952	$3,248	$2,672	110.8%	20.7%
	Black	$3,379	$3,142	$2,872	$2,336	$2,522	$3,113	8.5%	7.5%
	Hispanic	$3,838	$3,931	$3,321	$2,257	$3,218	$2,685	42.9%	-2.4%
Work status	**worker**	$5,455	$4,498	$5,016	$3,954	$3,335	$3,055	78.6%	21.3%
	disabled	$4,378	$2,973	$2,789	$2,626	$1,950	$2,051	113.4%	47.3%
	retired	$4,370	$3,966	$3,943	$2,273	$2,350	$1,499	191.5%	10.2%
	student	$2,637	$3,793	$3,646	$2,875	$1,419	$1,206	118.7%	-30.5%
	homemaker	$3,711	$2,947	$3,740	$2,234	$1,489	$2,702	37.4%	25.9%
	not working	$6,328	$5,647	$4,253	$4,377	$3,521	$1,678	277.1%	12.1%

Credit Card Limit of Credit Card Debtors (2004 constant dollars)

D

		2004	2001	1998	1995	1992	1989	'89–'04	'01–'04
	All Households with Credit Card Debt	$21,000	$16,972	$14,794	$11,910	$6,420	$6,992	200.3%	23.7%
Age	**under 25**	$5,357	$6,484	$4,704	$6,114	$2,707	$3,462	54.7%	-17.4%
	25–34	$15,380	$12,439	$11,059	$11,192	$5,220	$6,818	125.6%	23.6%
	35–44	$22,136	$16,540	$15,443	$12,019	$7,086	$7,385	199.7%	33.8%
	45–54	$22,685	$20,093	$17,785	$14,036	$8,034	$7,970	184.6%	12.9%
	55–64	$27,464	$19,728	$18,954	$12,717	$7,998	$7,106	286.5%	39.2%
	65+	$21,798	$21,367	$13,208	$10,137	$5,139	$5,657	285.3%	2.0%
Race/Ethnicity	**White (incl. Arab)**	$23,201	$19,152	$15,937	$12,660	$6,941	$7,145	224.7%	21.1%
	Black/Afr. Am.	$10,845	$8,705	$8,327	$7,533	$4,184	$5,915	83.4%	24.6%
	Hispanic	$13,002	$10,911	$10,329	$7,796	$4,907	$4,923	164.1%	19.2%
Income Rank	**< - 9,999**	$9,742	$5,818	$7,832	$8,337	$2,485	$3,973.35	145.2%	67.5%
	10,000–24,999	$10,991	$7,976	$10,335	$8,507	$4,363	$3,721.98	195.3%	37.8%
	25,000–49,999	$15,561	$12,224	$11,985	$9,337	$4,978	$5,470.97	184.4%	27.3%
	50,000–99,999	$24,297	$20,501	$16,211	$13,194	$7,552	$7,321.33	231.9%	18.5%
	100,000 - >	$36,100	$33,373	$25,164	$22,827	$14,247	$13,483.05	167.7%	8.2%
Work Status	**worker**	$21,508	$16,992	$14,998	$12,364	$6,684	$9,330	130.5%	26.6%
	retired	$24,372	$21,593	$14,250	$11,008	$4,682	$6,227	291.4%	12.9%
	disabled	$10,765	$8,811	$10,111	$9,391	$5,721	$3,731	188.5%	22.2%
	student	$8,012	$10,641	$11,579	$8,213	$3,316	$2,345	241.6%	-24.7%
	homemaker	$7,834	$11,703	$7,121	$9,268	$4,747	$6,192	26.5%	-33.1%
	not working	$19,313	$13,174	$17,527	$11,800	$6,331	$3,728	418.1%	46.6%

Debt to Income Ratio of Credit Card Debtors

E

		2004	2001	1998	1995	1992	1989	‘89–’04	‘01–’04
	All Households with Credit Card Debt	0.21	0.17	0.19	0.16	0.17	0.16	30.6%	19.4%
Age	**under 25**	0.22	0.14	0.14	0.15	0.14	0.13	71.6%	57.1%
	25–34	0.25	0.20	0.20	0.17	0.16	0.16	56.9%	25.1%
	35–44	0.23	0.19	0.21	0.19	0.21	0.18	26.9%	20.0%
	45–54	0.20	0.18	0.19	0.19	0.18	0.17	15.1%	14.7%
	55–64	0.18	0.15	0.18	0.16	0.16	0.14	28.2%	14.9%
	65 +	0.14	0.06	0.07	0.04	0.05	0.06	128.0%	119.2%
Income Rank	**< - 10,000**	0.31	0.14	0.45	0.16	0.13	0.04	770.6%	124.5%
	10,000–24,999	0.17	0.17	0.12	0.15	0.12	0.13	30.3%	-5.0%
	25,000–49,999	0.23	0.17	0.19	0.16	0.17	0.16	38.3%	34.2%
	50,000–99,999	0.22	0.18	0.20	0.19	0.18	0.17	34.1%	23.6%
	100,000 - >	0.18	0.17	0.17	0.15	0.17	0.16	8.7%	4.9%
Race/Ethnicity	**White (incl. Arab)**	0.21	0.17	0.19	0.17	0.18	0.16	29.3%	18.2%
	Black/Afr. Am.	0.21	0.14	0.17	0.12	0.11	0.13	68.7%	48.5%
	Hispanic	0.20	0.16	0.15	0.15	0.16	0.16	25.1%	22.6%
Health Care	**not all members insured**	0.23	0.17	0.15	0.14	0.15	0.16	39.5%	34.0%
	all members insured	0.20	0.17	0.20	0.17	0.17	0.16	28.4%	17.5%
Work status	**worker**	0.21	0.18	0.19	0.18	0.177	0.16	31.3%	19.5%
	retired	0.14	0.10	0.08	0.07	0.076	0.23	-40.0%	33.8%
	disabled	0.16	0.08	0.22	0.08	0.192	0.05	198.2%	112.6%
	student	0.46	0.30	0.29	0.19	0.052	0.12	267.0%	53.9%
	homemaker	0.20	0.18	0.15	0.08	0.038	0.08	143.7%	8.7%
	not working	0.18	0.26	0.23	0.15	0.150	0.16	9.0%	-32.1%

Percentage of Debt Against Credit Card Limit of Credit Card Debtors

F

		2004	2001	1998	1995	1992	1989	‘89–’04	‘01–’04
	All Households with Credit Card Debt	49.8%	56.5%	70.2%	70.1%	64.6%	68.3%	-27.1%	-11.8%
Income	**< - 10,000**	64.5%	61.9%	133.0%	53.5%	59.8%	72.0%	-10.5%	4.2%
	10,000–24,999	75.5%	59.5%	57.9%	107.9%	73.3%	78.2%	-3.4%	26.9%
	25,000–49,999	56.0%	61.7%	76.9%	61.8%	66.2%	72.0%	-22.2%	-9.1%
	50,000–99,999	39.9%	56.5%	62.7%	53.8%	58.4%	62.4%	-36.1%	-29.5%
	100,000 - >	31.9%	39.2%	69.7%	90.3%	67.9%	65.9%	-51.6%	-18.7%
Race	**White (incl. Arab)**	46.5%	52.6%	69.8%	71.8%	59.7%	65.4%	-28.9%	-11.6%
	Black/Afr. Am.	63.3%	60.2%	86.6%	65.2%	84.3%	90.1%	-29.8%	5.2%
	Hispanic	61.1%	76.9%	59.0%	69.9%	95.4%	86.1%	-29.1%	-20.5%
Age	**under 25**	53.3%	82.0%	81.6%	82.5%	69.7%	90.8%	-41.4%	-35.1%
	25–34	55.4%	84.9%	93.4%	61.3%	69.6%	74.7%	-25.9%	-34.8%
	35–44	54.5%	49.4%	65.0%	80.5%	64.7%	68.2%	-20.0%	10.5%
	45–54	45.8%	49.3%	67.0%	91.0%	71.6%	61.0%	-24.9%	-7.1%
	55–64	51.9%	53.9%	53.6%	53.9%	55.7%	64.9%	-20.1%	-3.8%
	65+	36.6%	29.5%	58.4%	27.9%	50.1%	60.6%	-39.6%	24.2%

Percentage of Credit Card Debtors with Debt Hardship
(<40% debt to income ratio)

G

		2004	2001	1998	1995	1992	1989	'89–'04	'01–'04
	Credit Card Debtors	19.0%	15.3%	16.6%	13.0%	11.9%	10.3%	84.3%	24.4%
Age	under 25	30.2%	20.8%	20.4%	16.9%	17.2%	15.8%	90.5%	45.2%
	25–34	22.3%	16.3%	14.6%	9.9%	10.9%	12.1%	84.5%	36.8%
	35–44	20.4%	13.8%	15.0%	11.3%	13.3%	10.0%	104.3%	47.7%
	45–54	17.1%	13.4%	16.7%	16.2%	11.2%	10.1%	68.8%	27.4%
	55–64	15.2%	16.8%	20.3%	18.7%	12.3%	8.1%	87.9%	-9.8%
	65+	15.5%	16.5%	18.6%	9.2%	10.0%	7.1%	117.3%	-6.4%
Income Rank	< - 10,000	46.4%	36.9%	53%	38%	31%	14%	220.3%	25.7%
	10,000–24,999	27.7%	24.5%	23%	22%	18%	20%	40.9%	13.0%
	25,000–49,999	24.0%	18.6%	20%	10%	12%	11%	117.0%	28.8%
	50,000–99,999	12.4%	8%	9%	9%	7%	7%	83.7%	60.2%
	100,000 - >	7%	6%	7%	6%	8%	5%	45.2%	9.2%
Race/Ethnicity	White (incl. Arab)	17.2%	15.0%	15.8%	12.1%	12.2%	9.3%	83.8%	14.4%
	Black/Afr. Am.	23.8%	15.4%	20.1%	17.3%	9.5%	7.2%	228.9%	55.0%
	Hispanic	25.7%	15.5%	18.6%	13.0%	13.7%	21.9%	17.0%	66.0%
Health Care	not all members insured	24.9%	21.5%	15.8%	17.1%	12.7%	8.5%	192.8%	15.9%
	all members insured	17.6%	13.9%	16.9%	11.8%	11.8%	9.1%	93.7%	26.0%
Work Status	worker	18.2%	14.0%	14.3%	11.6%	11.7%	9.9%	84.8%	30.5%
	retired	15.3%	15.3%	21.0%	14.3%	12.1%	6.1%	150.6%	-0.4%
	disabled	27.3%	17.5%	21.5%	16.9%	11.4%	25.2%	8.2%	56.0%
	student	52.9%	35.3%	41.0%	28.2%	16.5%	16.5%	220.0%	49.7%
	not working	19.3%	33.6%	31.6%	20.6%	15.5%	12.7%	51.7%	-42.6%

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